



Testimony of
The National Association for Uniformed Services

presented by

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before the

Subcommittee on Military Personnel
Committee on House Armed Services

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Introduction

Chairman Wilson and Members of the Subcommittee, the National Association for Uniformed Services thanks you for the opportunity to present testimony before the House Armed Services Subcommittee on Military Personnel to consider A Beneficiary Perspective on the Department of Defense Military Health Care System.

The Defense Blueprint for Military Health Care Raises Serious Concern

In recent years, the Department of Defense (DoD) has continually pressed Congress for TRICARE fee increases on military retirees and their families. To date, Congress has rejected these proposed raids on earned medical benefits. Members of the National Association for Uniformed Services deeply appreciate your work to secure these earned benefits.

This year, once again, DoD has proposed increased fees. On February 14, DoD presented its formal request to lawmakers for higher TRICARE fees as part of the President's fiscal year 2012 Budget. As you know, President Obama's fiscal 2012 defense budget contains a plan to raise TRICARE fees on certain military retirees and their families. The plan targets what the Pentagon calls "working age" retirees, defined as those between the ages of 38 and 64 who are enrolled in TRICARE Prime.

In sum, DoD intends to collect \$450 million over the next five years from the pockets of "working age" retirees by raising TRICARE Prime enrollment fees in the first year by 13 percent and in following years by the rate of medical inflation, which is projected by economists to run several points higher than general inflation at a minimum annual pace of 6.2 percent and as high as 10 to 14 percent over the next five-years.

In addition, the defense budget proposes to boost the co-pay for prescription drugs to \$5 for generics, \$12 dollars for brand name, and \$25 for non-formulary medications at retail pharmacies. The current charge for such prescriptions is \$3 for generics, \$9 for brand name and \$22 for non-formulary medications.

The plan is to drive more retirees to use the TRICARE Home Delivery program by posting a "zero" charge for generic medications received by mail. Non-formulary medications obtained through Home Delivery, however, would also increase to \$25 from \$22. These increases for pharmaceuticals would apply to all beneficiary groups under the Pentagon plan.

The proposed fee increases are part of a broad offensive by Defense Secretary Gates to come up with \$178 billion in savings over the next five years. The Secretary proposes that \$7

billion of that figure would come through increased TRICARE premiums and other changes within the military health system.

NAUS does not discount the challenging fiscal situation, nor are we blind to the rising cost of providing for our defense. We have encouraged Congress at every opportunity to prioritize spending and eliminate fraud, waste and abuse in all areas of the government. And we have cautioned against cuts that could weaken our national defense or adversely affect the brave men and women who provide the blanket of security that allows us to live our lives united in freedom.

Unlike past Pentagon plans requesting doubling or tripling fees, this year's recommendation is different. NAUS observes the latest DoD proposal has, regrettably, divided the military association community. Some organizations have come out in opposition, others in full favor, and many others are still "studying" the proposals and remain silent on their position.

At first look, the plan for TRICARE increases may indeed seem "modest," as the Department has described its proposal. However, it is clear that the plan is "a nose under the tent," a Trojan Horse designed to divide the voice of retirees and start the roll-out for substantial increases in TRICARE fees and copays.

The plan begins small as Defense Comptroller Robert Hale recently said, "We are hopeful that by starting slowly ... we will get their (Congress and military associations) agreement." After a first year increase of a "modest" 13 percent, what really matters, according to Hale, is that the earned benefit increase would be compounded year after year by the rate of growth in medical costs. Comptroller Hale accurately described the impact saying fees "will keep growing" because of indexing "so if you go out 10 or 20 years, it will have a major influence on controlling costs."

The National Association for Uniformed Services also finds it very difficult to hear top officials suggest military retirees' earned benefits are responsible for undercutting our nation's ability to defend itself. Defense officials say the fastest growing part of the Pentagon budget is health care, and they cite its growth over the past decade—growing from \$19 billion in fiscal year 2001 to \$52 billion in the 2012.

While it is true costs for military health care have increased over the past decade, the cause is not, repeat, not military retirees using their earned benefits. The true accelerant for rising costs is the War.

The cause for dramatically higher medical costs is the need to care for our wounded warriors, a requirement to carry forward our medical wartime research and the importance of paying our related wartime expenditures. Higher survival rates of wounded warriors and the larger proportion of troops diagnosed with mental health disorders and trauma in the current conflicts push costs of military health care higher than in previous wars.

Nevertheless, to achieve its plan, Pentagon officials begin by citing the costs of military health care in 2001, a pre-war date, and conclude by projecting costs into 2012 and, of course,

to even higher levels in the years beyond. Once ballooning costs are outlined, the Pentagon asserts “the costs of military health care is eating us alive.” At that point, Pentagon officials attack one of the most important non-cash benefits earned in a military career—TRICARE—as the cause of the escalating expense of military health care.

Mr Chairman, the costs of military health care always increase during wartime. And they always will, unless our nation decides to leave our wounded behind, which will never happen while today’s veterans and military retirees and generations to follow breathe American air. Again, the blame for the dramatic rise in military health care costs is the War.

In a recent TRICARE Cost Survey, members of the National Association for Uniformed Services responded with appeals to hold the line on TRICARE fees for retirees and active duty families. More than half—62 percent—of members said they were not willing to pay even a “modest” TRICARE cost increase, though 25 percent said they might be willing to pay more. A vast majority of members—84 percent—agreed that TRICARE is an earned benefit and no fee or cost increases should be expected from those who completed a career in uniform. And practically all members—93 percent—said keeping costs as they are is a way for the government to honor its promises of lifetime health care, particularly when the country is at War.

Our members are seriously concerned about stories in the national media that depict the cost of retiree benefits as responsible for threatening available funding for our national security. Not too long ago, one Pentagon undersecretary said that the costs of earned benefits “have gotten to the point where they are hurtful. They are taking away from the nation’s ability to defend itself.”

Our members tell us that it is hard to imagine anything being said with more callousness as a declaration from top-government officials that the benefits earned in honorable military service threaten our national security. It raises serious concern about the direction we are taking on the way forward because we know that the brave men and women who served this country are not the enemy of national security.

The National Association for Uniformed Services finds it very difficult to hear top officials seeming to say to those who wore the uniform only a few years ago that they now have to pay more for the promises made for a career in uniform. It is especially hurtful now that their job is done and they are out of our military.

A USAF retired Master Sergeant from Maryland said, “I sacrificed a lot to serve my county. I remember \$50 paychecks for two weeks, and having the commissary clerk subtotal my food costs several times because I couldn’t afford it all. I had a car with tires that never matched and a bed with a mattress that did not match the box spring. My carpets were bound remnants and never measured a full 8 x 12. Now they want to change the rules and take more from me. Can we please turn the clock back to 1966 and give me another shot at this?”

Faced with the possibility of added costs for earned benefits, the Sergeant is looking back at his honored service with a sense of regret. He understands the recommendation does not match up to expectation.

The assertion behind the proposals, of course, is to have working-age retirees and family members pay a larger share of TRICARE costs or use civilian health plans offered by employers. Frankly, we are deeply troubled that DoD would aim to discourage retirees from using their earned benefits with the military medical system.

These benefits were earned the hard way. They are different from private sector and regular federal health benefits. They were promised to a set of brave men and women in return for a career of service in America's armed forces.

And for those outside of this room who wish to compare military fees to other government programs or who do not understand the risk inherent in military service allow me to point out that there is a stark difference between running in Reeboks, Rockports, Bostonians or Bass Weejuns to catch a carpool and running in combat or desert boots to catch protective cover.

The National Association for Uniformed Services is certainly not comfortable with defense leadership actually suggesting to the public that the price we pay is more than the value our nation received from those who served 20 years or more.

What we see and hear disturbs us, because it is inconceivable that the Department of Defense would propose "starting slowly" for certain military retirees under TRICARE as a means to help meet the costs of providing for our national defense. Again, this is a "nose under the tent."

Certainly there are a number of lower priority programs that can be reduced. If cuts are needed to tighten the defense budget, there are other things big and small that can be done.

We believe the TRICARE increases should not, repeat, not be taken at this time. If this plan is enacted, it would demonstrate that the promised earned benefits of a military career are not viewed as a priority.

It is imperative that the Subcommittee do the right thing. To do otherwise would send the wrong signal to those who now serve and have served in America's Armed Forces, especially in a time of War.

Our members understand sacrifice and they know what it means to be at the point of the spear. But they are troubled with always being first in line for sacrifice, when they witness resources continuing to go to lower priority programs such as they have seen in the past—money to the Professional Golf Association, a museum for the Ground Hog Puxatawney Phil, a Cowboy Museum, the Bridge to Nowhere and other projects too numerous to list. Money was even directed to subsidize the GRAMMY Foundation, an organization run by millionaire record producers, recording "artists" and record manufacturers.

And beyond these special projects our members read yearly about federal employees delinquent or refusing to pay taxes. In 2009, the Internal Revenue Service (IRS) found nearly 100,000 civilian federal employees were delinquent on their federal income taxes, owing over \$1 billion in unpaid federal income taxes.

And it is our understanding that more than \$120 billion is wasted through improper payments to fraudsters in medical and social security programs for payment of nonexistent delivery of supplies, multiple billings for the same patient, for prosthetic arms for people who don't need prosthetics and for general lack of effort to root out this type of thievery.

In the past decade, Washington sent over \$1 billion of American tax dollars to dead people. Washington paid for dead people's prescriptions and wheelchairs, subsidized their farms, helped pay their rent, and even chipped in for their heating and air conditioning bills.

Incredibly, there are additional questionable spending priorities as we discuss targeting the earned benefits of military health care.

What signal, for instance, is being sent when our government directs our nation's hospitals to pay the medical care costs for treating illegal aliens? Is it right to squeeze resources for the Pentagon that result in military retirees paying more for their earned benefits, while giving budget priority to those here illegally in the United States? Does illegal alien health care trump the healthcare benefit provided those who gave a lifetime protecting American freedom and preserving our way of life?

The National Association for Uniformed Services has faith in our leaders, but we are not blind. Before we begin whacking at our military's earned benefits, let us make certain that we use our best wisdom to select our most important programs over our lesser important ones. And let us not forget, we are at War.

If our defense budget is insufficient to cover our national security requirements, as defense observers say it is, then why do we continue to spend billions on non-defense, non-federal and non-essential programs and projects. Our members ask members of Congress to sort out the matter and to use common sense in reaching a balanced and reasonable analysis of the situation, especially when our courageous troops are engaged in battle overseas.

In this regard, it is important to point out that the current defense budget, at this point of the Wars in Iraq and Afghanistan, represents only a little more than 4 percent of the gross domestic product. This compares with 37.8 percent during World War II, 10.2 percent during the height of the Cold War and 6.2 percent as recently as 1986. In fact, the defense budget averaged 5.7 percent of GDP in the *peacetime* years between 1940 and 2000.

The National Association for Uniformed Services Asks Rejection of the DoD Proposed Increase

Mr. Chairman, the National Association for Uniformed Services asks Congress to reject the DoD proposed increases. We propose that adequate funding is provided to maintain the value

of the healthcare benefit provided those men and women willing to undergo the hardships of a military career.

And the National Association for Uniformed Services is not alone in its call to hold the line. While we do not speak for them, we are pleased to stand with the millions of veterans who form the American Legion, the Veterans of Foreign Wars, the AMVETS, the Air Force Sergeants Association, and the Jewish War Veterans to name a few of the major associations representing those men and women who actually served in the Armed Forces of the United States and who also reject the Pentagon plan to raise fees.

Our country has asked a great deal from these former soldiers, sailors, coastguardsmen, airmen, and Marines tasked to secure the blessings of freedom and protect our nation's interests. In return, these courageous men and women have kept faith and kept a strong defense. And today we are better for it.

All we ask for is what is best for our former service men, women and their families and survivors. We believe that the way we treat them reflects well on those currently serving and those thinking about future service.

Defense Secretary Robert M. Gates defends the plan to raise TRICARE fees on "working retirees" by 13 percent beginning in 2012. Secretary Gates says that "many of these beneficiaries are employed full time while receiving full pensions, often forgoing their employer's health plan to remain with TRICARE." While some may find it hard to understand, the simple fact is that those men and women who have earned a retirement benefit actually look forward to using it.

It should also be pointed out that many of our military retirees are on fixed retirement incomes and many cannot afford even a "modest" 13 percent increase in monthly expense. And many are not Generals and Admirals working for defense contractors, but Sergeants and Petty Officers who face higher unemployment than their non-veteran peers. Also, please consider, those military retirees who would be affected received no, repeat, no COLA increase these past two years. Lifetime health care is the single most important earned, repeat, earned benefit a retired service member and family have.

Today, the military's pay and benefits are good. The promise of health care is an essential commitment to those who spent a career in the military. We should not tamper with it in an effort to balance the Pentagon budget.

Mr. Chairman, at an earlier time in our history, one of our most revered leaders said, "The willingness with which our young people are likely to serve in any war, no matter how justified, shall be directly proportional to how they perceive the veterans of earlier wars were treated and appreciated by their nation." It is indeed interesting today to note how perceptive George Washington's observations were. If we measure today's national defense and the promises made to those who have served in the context of Washington's remarks, I think every thinking American would be uneasy.

The National Association for Uniformed Services urges you to confirm America's solemn, moral obligation to keep the faith with our military retirees. They have kept their promise to our Nation, and now it's time for us to keep our promise to them.

TRICARE Pharmacy Programs

The DoD budget proposal also requests a 67 percent increase in retail formulary pharmacy fees for all members and families eligible for military health care. Officials at the Pentagon rationalize this increase as being justified because it costs the government twice as much for a drug through the TRICARE Retail Pharmacy program (TRRx) than it does for the same drug through the TRICARE Home Delivery program. DoD believes the rise in the TRRx co-payments will increase revenue and forcefully migrate beneficiaries to the Home Delivery program, where costs for prescriptions are lower.

However, we feel that one of the primary reasons for the higher cost to the Department of Defense in the retail sector is due to the neglect of DoD to aggressively pursue the Federal Pricing schedule for TRRx. Nor has DoD negotiated other discounts or price breaks with any pharmaceutical companies, which could save considerable resources.

We also find DoD slow in developing a concerted marketing or education plan to encourage beneficiaries to use the mail order program. Considerable savings can be found for the beneficiary as well as the Department in developed use of Home Delivery.

The National Association for Uniformed Services urges the Subcommittee to direct DoD to develop and use an active marketing plan for beneficiary use of the mail order program.

Expectations About the Benefit Package Affects Retention

The United States provides a robust benefits package to the men and women who serve. These benefits are well-deserved and serve as a counterbalance to the sacrifices made throughout a full career in the military. They are a calculated part of the overall compensation package.

The members of the National Association for Uniformed Services tell us that they view the proposed increases as an erosion of their benefits.

For many of those currently serving service members well into their career at their tenth year or more in service, the DoD strategy of "starting slowly with a modest proposal" to increase fees, poses a substantial diminishment in their expectation about the package they would earn at the close of their career. They remember when recruiters told them that if they stayed in service the government would provide them lifetime health care.

In discussion with key Pentagon officials, the National Association for Uniformed Services is plainly told that there are more plans for collecting additional shares from military retirees. The Pentagon plan is clearly devised as a "nose under the tent." When our members easily recall recent comments from a "health care economist" that Congressional passage of

TRICARE for Life “was a mistake,” we are concerned. And it should concern others as well. Our troops and our military retirees now more clearly see the promise of earned benefits may in fact cost them more than they ever anticipated.

The National Association for Uniformed Services urges the Subcommittee to ensure that every effort is taken to reassure experienced servicemembers that their promised benefits will be delivered by a grateful nation.

The National Association for Uniformed Services Appreciates the Opportunity to Testify

Mr. Chairman, the National Association for Uniformed Services thanks you for extending the opportunity to appear before you today and we thank you for your support of those who serve and have served in the uniformed services. We believe the price is not too great for the value received.

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The Servicemember's Voice in Government
Established in 1968



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Richard A. "Rick" Jones joined NAUS as Legislative Director on Sept. 1, 2005. As legislative director, he is the primary individual responsible for promoting the NAUS legislative, national security, and foreign affairs goals before the Departments of Defense and Veterans Affairs, and the Congress of the United States.

Rick presently serves as co-director of the National Military and Veterans Alliance (NMVA) and co-chairman of the Alliance for Military and Overseas Voting Rights (AMOV). NMVA is composed of 31 military associations and veterans organizations with a combined membership of over 3.5 million members. AMOV, a working alliance of 36 military and overseas advocacy groups, elected officials, and voting rights advocates, is formed to ensure that our military men and women are afforded their right to vote and to ensure their votes are counted.

Rick is an Army veteran who served as a medical specialist during the Vietnam War era. His assignments included duty at Brooke General Hospital, San Antonio, Texas; Fitzsimons General Hospital, Denver, Colorado; and Moncrief Community Hospital, Columbia, South Carolina.

Rick completed undergraduate work at Brown University prior to his Army draft and earned a Master Degree in Public Administration from East Carolina University in Greenville, North Carolina, following military service.

Prior to assuming his current position, Rick served five years as National Legislative Director for AMVETS, a major veterans service organization. He also worked nearly twenty years as a legislative staff aide in the offices of Senator Paul Coverdell, Senator Lauch Faircloth, and Senator John P. East. He also worked in the House of Representatives as a committee staff director for Representative Larry J. Hopkins and Representative Bob Stump.

In working for Rep. Stump on the House Committee on Veterans' Affairs, he served two years as minority staff director for the subcommittee on housing and memorial affairs and two years as majority professional staff on funding issues related to veterans' affairs budget and appropriations.

Rick and his wife Nancy have three children and reside in Springfield, Virginia.

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